MOODY'S
INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS Aa2 TO MANSFIELD'S (CT) $2.8 MILLION GO BONDS

Global Credit Research - 04 Mar 2011

Aa2 AFFECTS $1.4 MILLION OF OUTSTANDING G.O. DEBT

Municipality
CT

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Series 2011	Aa2

Sale Amount	$2,840,000
Expected Sale Date	03/15/11
Rating Description	General Obligation Bonds

Opinion

NEW YORK, Mar 4, 2011 -- Moody's Investors Service has assigned a Aa2 rating to the Town of Mansfield's (CT) $2.8 million General Obligation Bonds, Issue of 2011. Concurrently, Moody's has affirmed the Aa2 rating on $1.5 million of outstanding general obligation debt. The bonds are secured by a general obligation unlimited tax pledge.

SUMMARY RATING RATIONALE

The Aa2 rating incorporates the town's recently-improved financial position supported by reserves held inside and outside of the General Fund and management's prudent fiscal practices. The rating also factors the town's favorable debt levels and moderately sized equalized net grand list (ENGL) that benefits from a large university presence.

Proceeds from this issue will be used to fund various capital projects for both the town and the Mansfield Board of Education.

STRENGTHS

-Demonstrated commitment to the continued improvement of the town's financial position as evidenced by codified financial practices and history favorable operating results

-Stable local economy, anchored by the University of Connecticut, and moderately sized tax base with continued development

-Low debt burden

CHALLENGES

-Continued financial improvement amidst volatility in state aid revenues and ongoing spending pressures

CREDIT OPINION

CONTINUED IMPROVEMENT OF SOUND FINANCIAL POSITION SUPPORTED BY SATISFACTORY AVAILABLE RESERVES

Moody's anticipates Mansfield's sound financial position to continue to improve over the near term supported by careful fiscal management aimed at management's recent initiative to increase General Fund reserves from 5% of General Fund revenues to 10% over the next several years. The town segments operations and capital into several funds with current expenditures funded through the General Fund, capital spending through a Capital Non-Recurring (CNR) Fund and debt service through a Debt Service Fund. This management strategy is favorable in that it enables the town to better match current and long-term expenditures with similarly timed revenue sources, thus ensuring stable General Fund budgetary growth. Fiscal 2010 experienced the town's sixth consecutive operating surplus. Unreserved General Fund reserves increased to $1.9 million or 4.3% of General Fund revenues from a low of $995,000 (3.2% of General Fund reserves) at the end of fiscal year 2003. Taking into account other available funds outside the General Fund which include its capital projects funds and other internal service funds, fiscal 2010 available reserves equaled $3.2 million or 7.3% of General Fund revenues.

Fiscal 2011 experienced a 0.5% increase in spending (budget-to-budget) driven primarily by increased pension costs and contributions to its CNR Fund. As a part of the budget plan, the town was able to ameliorate some of its spending pressures without drastic reductions in services by implementing a one-year wage freeze and gaining operational efficiencies. Citing year-to-date results, the town expects its seventh year of favorable operating results due to diligent budget monitoring and adjustments to spending when necessary. The town projects total ending available reserves to be about $4.3 million or about 9.8% of General Fund revenues. Looking forward to fiscal 2012, management anticipates continued progress towards its internal General Fund balance target of 10% of revenues with increased contributions to its CNR Fund to offset decreasing state grants.

Somewhat atypical of Connecticut localities, the town is heavily dependent on intergovernmental revenues which represent 43% of fiscal 2010 General Fund revenues versus 55% for property taxes. These revenues are comprised of Education Cost Sharing (ECS) grants, the Mashantucket Pequot, and Mohegan Fund Grant and the payment-in-lieu-of-taxes (PILOTs) associated with University of Connecticut (rated Aa2, stable outlook). Reflective of state-level budgetary pressures, the town's share has decreased for three consecutive years from a high of $19.3 million in fiscal 2009 to a projected $17.6 million in fiscal 2012. While diligent monitoring and conservative budgeting of these volatile revenues have enabled the town to weather previous cuts, management's ability to continue to offset declines will be integral to management's ability to maintain financial flexibility.

MODERATELY SIZED TAX BASE BENEFITS FROM THE PRESENCE OF THE UNIVERSITY OF CONNECTICUT

Anchored by the University of Connecticut, the local economy is stable and continues to benefit from its large university presence as a source of employment (5,017 employees in 2011). However, income levels which are at 63% and 84% of state and national medians respectively, remains distorted by the town's large student and inmate population which represent about 46% of the town's estimated 25,268 residents. More reflective of the permanent town residents, median family income is above-average at 106% of the state and 139% of the nation. The town currently receives approximately $7.2 million in payment-in-lieu-of-taxes from the university as a part of its state grants.

Net taxable grand list, which does not incorporate university-owned property, increased by 4.6% in fiscal 2011 reflecting the town's recent revaluation. Five-year average annual growth grew a modest 2.2%. Equalized net grand list (ENGL) growth was a healthier 4.1% in the past five years. Moody's believes assessed values will remain stable over the near term with future grand list growth driven by completion of a new $220 million mixed-use development in the town's downtown area. Most of the building permits have been approved and construction is expected to begin in spring 2011, the project is expected to be completed in the next seven to eight years and is expected to generate additional $1.1 million in annual property tax revenue.

FAVORABLE DEBT POSITION

Mansfield's debt burden has historically been low as the town continues to favor the use of internal resources to fund capital projects. After this issue, Mansfield's debt burden will equal a low 0.3% of ENGL. The overall debt burden, which incorporates debt related to Regional School District Number 19 (rated Aa3) increases slightly to 0.5% of ENGL. Future debt needs include an approximately $24 million bond issue for consolidation of three elementary schools what will be up for voter referendum in May of this year. If passed, the additional debt would substantially increase the town's debt burden but is expected to remain average to slightly above average. Other future capital and borrowing needs for the town remain minimal and consists mostly of water and wastewater system improvements. The town is not party to any derivative agreements and all outstanding debt is in a fixed-rate mode.

WHAT WOULD MAKE THE RATING GO - UP

-Continued improvement to the town's financial reserves consistent with management's internal targets

-Sizable tax base growth resulting from ongoing developments

WHAT WOULD MAKE THE RATING GO - DOWN

-Inability to address mounting downward state aid pressures with corresponding increases in recurring revenues and/or reductions in spending

KEY STATISTICS

2009 population: 25,268

2009 Equalized Net Grand List (ENGL): $1.46 billion

Full valuation per capita: $59,480

1999 Median Family Income: $18,094 (62.9% of state, 83.8% of nation)

1999 Per Capita Income: $69,661 (106.3% of state, 139.2% of nation)

FY 2010 General Fund balance: $1.9million (3.9% of General Fund revenues)

FY 2010 Available Reserves: $3.18 million (7% of General Fund revenues)

Overall debt burden: 0.5% of ENGL, $310 per capita

Payout of principal (10 years): 74%

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings and public information .

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

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